

Message Text

CONFIDENTIAL

PAGE 01 TAIPEI 02827 040252Z

14

ACTION EA-09

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R 040145Z MAY 76

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 9378

INFO AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY TOKYO

AMCONSUL HONG KONG

USLO PEKING

CINCPAC

C O N F I D E N T I A L TAIPEI 2827

CINCPAC FOR POLAD

EO 11652 GDS

TAGS PFOR, PING US CH TW

SUBJECT: AN APRIL PERSPECTIVE

1. APRIL OPENED ON A NOTE OF MOURNING IN HONOR OF THE FIRST ANNIVERSARY OF THE DEATH OF CHIANG KAI-SHEK, WITH MEMORIAL SERVICES HELD THROUGHOUT THE ISLAND ON APRIL 5. IN TAIPEI THE DAY WAS MARKED BY AN OFFICIAL CEREMONY AT SUN YAT-SEN MEMORIAL HALL ATTENDED BY HIGH LEVEL OFFICIALS AND MEMBERS OF THE LATE PRESIDENT'S FAMILY (INCLUDING MADAME CHIANG KAI-SHEK, WHO HAD RETURNED FROM THE US FOR THE CEREMONIES), AFTER WHICH THE DOORS WERE OPENED TO THE PUBLIC. REPORTEDLY, 150,000 PEOPLE FILED PAST THE PORTRAIT OF THE LATE PRESIDENT INSIDE THE HALL, INCLUDING REPRESENTATIVES FROM SOME 20 COUNTIRES; AND AN ESTIMATED 20,000 PEOPLE MADE A PILGRIMAGE TO TSU HU, THE SITE OF THE LATE PRESIDENT'S GRAVE.

2. THE SOLEMNITY SURROUNDING THE OCCASION VANISHED OVER-
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PAGE 02 TAIPEI 02827 040252Z

NIGHT WITH THE ANNOUNCMENT OF DEMONSTRATIONS AT TIEN AN

MEN INN PIEKING. OFFICIAL REACTION WAS SWIFT AND PREDICTABLE. PREMIER CHIANG CHING-KUO'S CALL TO KMT CADRES TO REDOUBLE THEIR EFFORTS TO BRING ABOUT THE COLLAPSE OF THE PRC GOVERNMENT WAS ECHOED IN DECLARATIONS EMANATING FROM A VARIETY OF QUARTERS, INCLUDING THE KMT, THE NATIONAL ASSEMBLY, THE LEGISLATIVE AND CONTROL YUANS, THE FEDERATION OF OVERSEAS CHINESE ASSOCIATIONS, AND STUDENT BODIES. THE KMT, IN A MESSAGE TO THE PEOPLE OF THE MAINLAND, WELCOMED AS "SPIRITUAL MEMBERS" OF THE KMT ALL THOSE LIVING ON THE MAINLAND WHO OPPOSE COMMUNISM, BELIEVE IN SAN MIN CHU I, AND COOPERATE IN "RECOVERY" OF THE MAINLAND.

3. AT THE SAME TIME THE NATIONAL ASSEMBLY'S COMMITTEE FOR THE STUDY OF CONSTITUTIONAL PROBLEMS RECOMMENDED TO THE CENTRAL GOVERNMENT A PLAN FOR "ECONOMIC WARFARE" AGAINST THE PRC, INCLUDING THE STRENGTHENING OF ROC COMMERCIAL AGENCIES OVERSEAS, ENHANCING "ECONOMIC AND TRADE WARFARE ABILITIES" IN IMPORTANT AREAS (DEFINED AS HONG KONG, JAPAN, THE US, THE EEC, AND SOUTHEAST ASIA), AND PROHIBITING THE IMPORT OF PRC PRODUCTS. THE AVAILABILITY ON TAIWAN OF PRC PRODUCTS IS RARELY ACKNOWLEDGED PUBLICLY OR OFFICIALLY HERE. NONETHELESS, THE EXISTENCE OF A VERY LIMITED AMOUNT OF PRC GOODS SUCH AS CHINESE MEDICINE, IS COMMONLY KNOWN (AND HIGHLY SOUGHT AFTER) BY THE LOCAL POPULACE.

4. DESPITE ALL THE PUBLIC PRONOUNCEMENTS, HOWEVER, THE ATMOSPHERE HAS BEEN ONE OF CURIOSITY RATHER THAN OF FERVOR. NO ONE IN OR OUT OF GOVERNMENT (EXCEPT, PERHAPS FOR A FEW AGED MAINLANDERS) APPEARS TO BE SERIOUSLY ADVOCATING TAKING ADVANTAGE OF THE SITUATION THROUGH DIRECT MEASURES, OTHER THAN PROPAGANDA. AND FEW SEE ANY POTENTIAL EFFECT ON TAIWAN OF RECENT MAINLAND TURBULENCE, APART FROM THE POSSIBILITY OF FOCUSING THE PRC LEADERSHIP'S INTEREST INWARD AND AWAY FROM TAIWAN.

5. IN THE PRESS, DEVELOPMENTS ON THE MAINLAND HAVE SHARED THE LIMELIGHT WITH REACTION IN EDITORIALS AND SPECIAL COMMENTARIES TO ALLEGED USG CONSIDERATION OF MILITARY ASSISTANCE AND SALES TO THE PRC AND SENATOR GOLDWATER'S

CONFIDENTIAL

PAGE 03 TAIPEI 02827 040252Z

LETTER TO THE NEW YORK TIMES IN WHICH HE REITERATED THAT RICHARD NIXON HAD ASSURED HIM THAT THE USG WOULD NEVER GRANT FORMAL DIPLOMATIC RECOGNITION TO THE PRC OR TERMINATE ITS DEFENSE COMMITMENT TO THE ROC. REACTION TO MENTION OF POSSIBLE US MILITARY ASSISTANCE TO THE PRC, AS REFLECTED BOTH IN PRIVATE CONVERSATIONS AND IN THE PRESS, SUGGESTS IT HAS ADDED CONFUSION TO AN ALREADY NOT VERY CLEAR LOCAL PERCEPTION OF US FOREIGN POLICY, ESPECIALLY US CHINA POLICY, AND FURTHER

DEEPENED CONCERNS ABOUT US INTENTIONS TOWARD TAIWAN. AND ALTHOUGH SENATOR GOLDWATER'S LETTER HAS CAUSED SOME CURIOSITY HERE, THE HOPE EXPRESSED IN THE PRESS THAT THE LETTER MIGHT SPARK A REASSESSMENT OF US CHINA POLICY HAS BEEN ONLY OCCASIONALLY ECHOED IN PRIVATE CONVERSATIONS.

6. ON THE DOMESTIC SCENE, THE ANNOUNCEMENT OF THE CONVENING OF A KMT NATIONAL PARTY CONGRESS ON NOVEMBER 12 COULD PRESAGE A REVITALIZATION OF THE RULING PARTY, WITH YOUNGER MEN, INCLUDING MORE TAIWANESE, LIKELY TO BE BROUGHT INTO THE CENTRAL STANDING COMMITTEE. LOCAL KMT OFFICES ARE AWAITING INSTRUCTIONS FROM PARTY HEADQUARTERS FOR KMT ELECTIONS BEGINNING AT THE GRASSROOTS LEVEL WHICH WILL PROBABLY BE HELD DURING THE SUMMER.

7. THE CONGRESS IS LIKELY TO MEET DURING A PERIOD OF ECONOMIC OPTIMISM. THE FIRST FOUR MONTHS OF 1976 HAVE BEEN CHARACTERIZED BY A STEADY ECONOMIC RECOVERY AND A MARKED INCREASE IN EXPORTS, WITH INDUSTRIAL GROWTH FOR THE YEAR CURRENTLY PROJECTED BY THE ECONOMIC PLANNING COUNCIL AT 8 PERCENT. LABOR SHORTAGES, HOWEVER, ARE A GROWING PROBLEM. THE MINISTRY OF ECONOMIC AFFAIRS IS WORKING CLOSELY WITH THREE AD HOC COMMITTEES UNDER THE MINISTRIES OF EDUCATION AND INTERIOR AND THE GOVERNMENT INFORMATION OFFICE, WHICH HAVE BEEN ESTABLISHED, RESPECTIVELY, TO DEVISE MEASURES FOR PROVIDING JOB COUNSELING AND ASSISTANCE TO JUNIOR MIDDLE SCHOOL GRADUATES WHO DO NOT PLAN TO CONTINUE SCHOOLING,(URGE LAID-OFF WORKERS TO RETURN FROM THE COUNTRY-SIDE, AND INCREASE PUBLICITY TO INDUCE PRESENTLY UNTAPPED LABOR SOURCES TO JOIN THE WORKING FORCE. CONSIDERATION IS ALSO BEING GIVEN TO ADVANCING MIDDLE SCHOOL GRATTION BY SEVERAL WEEKS TO PROVIDE ADDITONAL WORKERS FOR THE FACTORIES AT AN EARLY DATE.

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PAGE 04 TAIPEI 02827 040252Z

8. INFLATIONARY PRESSURES CONTINUE TO BE PRESENT, WITH THE MONEY SUPPLY 24 PERCENT LARGER THAN A YEAR AGO AT THE END OF MARCH; BUT PRICE INCREASES SO FAR REMAIN MODEST. DURING THE FIRST QUARTER WHOLESALE PRICES ROSE ON THE AVERAGE ONLY ONE PERCENT OVER THE SAME PERIOD LAST YEAR, AND CONSUMER PRICES ROSE THREE PERCENT. UNDER THE CIRCUMSTANCES, WITH LABOR SHORTAGES AND CONTINUED INFLATIONARY PRESSURE, WAGE INCREASES ARE OCCURRING, WITH PRODUCTION COSTS FOLLOWING SUIT AND INTERNATIONAL COMPETITIVENESS SUFFERING.

9. ANOTHER MATTER OF CONCERN APPEARS TO BE THE UNAUTHORIZED MOVEMENT OF CAPITAL FROM TAIWAN. ALTHOUGH STATISTICS ARE IMPOSSIBLE TO OBTAIN, THE PREMIER'S REPORTED INSTRUCTION TO GOVERNMENT AGENCIES AT A RECENT EXECUTIVE YUAN MEETING

TO TIGHTEN MEASURES AGAINST THE CONCEALMENT
OF FOREIGN EXCHANGE EARNINGS AND CAPITAL EXPORT SUGGESTS
THAT THIS CONTINUES TO BE A VEXING,
AND PERHAPS GROWING, PROBLEM.10. THE GOVERNMENT CRACKDOWN ON CRIME
WHICH BEGAN
IN JANUARY CONTINUES AND HAS EXPANDED INTO NEW AREAS. AN EXECUTIVE
YUAN COMMISSION HAS SUGGESTED THE ESTABLISHMENT OF A PERSONNEL
APPOINTMENT SYSTEM FOR SCHOOLS TO COUNTER THE WIDESPREAD
BRIBERY INVOLVED IN OBTAINING POSITIONS AS PRINCIPALS AND
TEACHERS. AND, IN RESPONSE TO A NUMBER OF RECENT
SUICIDES AND ROBBERIES (INCLUDING THE BANK ROBBER IN MARCH)
THAT WERE REPORTEDLY RELATED TO GAMBLING DEBTS, POLICE
AUTHORITIES THROUGHOUT THE ISLAND HAVE BEEN ORDERED
TO CLOSE DOWN ALL GAMBLING DENS BY THE END OF MAY. AFTER
THAT TIME THE INDIVIDUAL POLICE STATIONS WILL BE HELD
REPOSIBLE FOR ANY GAMBLING DENS LOCATED IN THEIR JURISDICTIONS.
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